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Message Text

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PAGE 01 CAIRO 16536 051924Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 AGRE-00 AID-05 IGA-02 OPIC-03
CIAE-00 INR-07 NSAE-00 COME-00 TRSE-00 OMB-01
/037 W
----------066573 060616Z /21
R 050922Z OCT 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0158

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DEPART PASS AGRICULTURE, AID, OPIC

E.O. 11652: N/A
TAGS: EAGR, EAID, EINV, EG
SUBJECT: STATUS REPORT ON ACTIVITIES IN EGYPT OF AGRIBUSINESS
COUNCIL (ABC)

1. SUMMARY. DURING RECENT VISIT TO EGYPT, ABC TEAM WAS REPORTED-
LY SUCCESSFUL IN OBTAINING INFORMATION NEEDED TO PREPARE FOR QUOTE
INVESTMENT FORUM UNQUOTE IN NEW YORK CITY TENTATIVELY SCHEDULED
FOR LATE NOVEMBER. DURING FORUM, ABC STAFF AND EGYPTIAN COUNTER-
PARTS WEILL MAKE PRESENTATION TO INTERESTED MEMBER AND NON-MEMBER
COMPANIES COVERING POSSIBLE PROJECTS IN DAIRY, POULTRY, OILSEEDS,
BOTANICALS, EXPORT VEGETABLES, AND POSSIBLY FISHERIES. HOWEVER,
ROLE OF AMERICAN COMPANIES IN PROPOSED PROJECTS NOW APPEARS MORE
LIMITED THAN ORIGINAL PROPOSALS AND WOULD INCLUDE LITTLE OR NO
EQUITY INVESTMENT. AT CONCLUSION OF VISIT, ABC CHAIRMAN H.J.
HEINZ II FLEW TO CAIRO FOR AIRPORT MEETING WITH PRESIDENT SADAT.
LETTER FROM SADAT TO PRESIDENT CARTER, PROPOSING SUBSTANTIAL
FINANCIAL SUPPORT FROM AID FOR ABC PROJECTS IN ISMAILIA AND
HARKIYA GOVERNORATE, IS LIKELY PRODUCT OF HEINZ-SADAT MEETING.
END SUMMARY.

2. FOUR-MAN TEAM FROM ABC (PRESIDENT KENNETH MUELLER, STAFF
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PAGE 02 CAIRO 16536 051924Z

CONSULTANTS EZRA MERRILL AND EUGENE GRASBERT, LEGAL COUNSEL
BRUCE BURTON) WERE IN EGYPT AT VARIOUS TIMES DURING PERIOD
9/17-10/2/77. PURPOSE OF VISIT WAS TO FINALIZE PROJECT PROFILES
TO BE PRESENTED AT LATE NOVEMBER INVESTMENT FORUM IN NEW YORK
CITY. TEAM'S APPOINTMENTS WERE LARGELY ARRANGED BY MINISTER
OF STATE (MINAGRICULTURE) ABDEL AZIZ HUSSEIN, WHO HAS HEADED
INTERMINISTERIAL COMMITTEE RESPONSIBLE FOR AGRIBUSINESS PROJECTS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

SINCE DEPARTURE FROM CABINET OF FORMER MINISTER OF HOUSING AND RECONSTRUCTION OSMAN AHMED OSMAN. HOWEVER, OSMAN AND HIS NEPHEW (ISMAIL OSMAN) WERE IN FREQUENT CONTACT WITH ABC TEAM DURING VISIT AND WERE INSTRUMENTAL IN ARRANGING HEINZ-SADAT APPOINTMENT ON 10/1/77. IT APPEARS OBVIOUS THAT OSMAN WISHES TO CONTINUE LEADERSHIP ROLE IN AGRIBUSINESS DEVELOPMENT IN EGYPT AND DOES NOT HESITATE TO BYPASS HUSSEIN.

3. BURTON'S ACTIVITIES WERE SEVERELY LIMITED BY ILLNESS DURING LATTER PART OF VISIT. HOWEVER, MUELLER, MERRILL AND GRASBERG HAD EXTREMELY BUSY SCHEDULE UNTIL DEPARTURE OF LATTER TWO MEN ON 9/28/77. THEY EXPRESSED BELIEF THAT INFORMATION ADEQUATE TO PREPARE PROJECT PROFILES WAS OBTAINED DURING VISIT. MUELLER REMAINED IN CAIRO UNTIL 10/2/77 TO MAKE ARRANGEMENTS FOR AND TO ACCOMPANY HEINZ TO MEETING WITH SADAT ON 10/1/77.

4. DISCUSSIONS WITH TEAM DURING VISIT INDICATED THAT LIKELY ROLE OF AMERICAN COMPANIES IN PROPOSED AGRIBUSINESS PROJECTS IN EGYPT HAS SUBSTANTIALLY CHANGED SINCE EARLY CONTACTS IN 1975 AND 1976. PROPOSALS BEING DISCUSSED AT THAT TIME INVOLVED AMERICAN INVOLVEMENT IN ALL ASPECTS OF PROJECTS, INCLUDING CAPITAL INVESTMENT. HOWEVER, ROLE OF AMERICAN COMPANIES IS NOW VISUALIZED AS BEING LIMITED TO PROVISION OF MANAGEMENT AND TECHNICAL SERVICES ON CONTRACT OR COST-PLUS BASIS WITH LITTLE OR NO EQUITY IN PROJECTS. OBVIOUS REASON FOR SWITCH IS THAT LARGE CAPITAL INVESTMENT IN LAND RECLAMATION, PERHAPS LIMITED OFFICIAL USE

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PAGE 03 CAIRO 16536 051924Z

AS MUCH AS DOLLARS 2,000 PER ACRE AT CURRENT PRICES, PROBABLY PRECLUDES VIABILITY OF PROJECTS ON COMMERCIAL BASIS. WHEN QUERIED AS TO SOURCES OF CAPITAL INVESTMENT NECESSARY FOR SUCCESS OF PROJECTS, TEAM MEMBERS STATED IT WOULD HAVE TO COME FROM QUOTE THIRD PARTIES UNQUOTE.

5. HEINZ MEETING WITH SADAT WAS ARRANGED WITH DIFFICULTY SINCE FORMER WAS CRUISING IN GREEK WATERS AND USUALLY OUT OF CONTACT. WHEN APPOINTMENT WAS FINALLY ARRANGED, HEINZ WAS DELAYED IN ARRIVAL ON CHARTERED PLANE BECUASE OF FOG IN RHODES. ISMAIL OSMAN MET HEINZ AT AIRPORT ON AFTERNOON OF 10/1/77 AND INFORMED HIM THAT SADAT APPOINTMENT WAS SET FOR FOLLOWING MORNING. HEINZ REPLIED THAT WAS IMPOSSIBLE FOR HIM BECAUSE WIFE'S HEALTH MADE IT IMPERATIVE HE RETURN TO SHIP ASAP. ISMAIL OSMAN THEN CONTACTED SADAT, WHO CAME TO AIRPORT BY HELICOPTER FOR HOUR-LONG MEETING WITH HEINZ. TO BEST OUR KNOWLEDGE, ONLY PERSONS PRESENT WERE SADAT, HEINZ, MUELLER AND BOTH OSMANS.

6. SADAT-HEINZ DISCUSSION REPORTEDLY CENTERED AROUND LETTER DRAFTED BY MUELLER FROM SADAT TO PRESIDENT CARTER. ORIGINAL DRAFT, WHICH MUELLER SHOWED TO

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

AGATTACHE, EXPRESSED SADAT'S SUPPORT FOR ABC PROJECTS, SUGGESTED SHARKIHA GOVERNORATE AS APPROPRIATE SITE, AND REQUESTED DOLLARS 25 MILLION IN AID FINANCING TO SUPPORT PROJECTS. WE UNDERSTAND THAT OSMAN AHMED OSMAN ARGUED FOR INCLUSION OF ISMAILIA (WHICH HE REPRESENTS IN PEOPLE'S ASSEMBLY) AS ANOTHER SITE FOR PROJECTS AND ALSO FOR ADDITIONAL DOLLARS 25 MILLION IN EGYPTIAN POUNDS FROM AID. WE ASSUME FINAL VERSION OF LETTER WILL INCLUDE THOSE POINTS ALSO. CHANNEL FOR TRANSMITTING LETTER NOT KNOWN.

7. WHILE USAID HAD FREQUENT CONTACTS WITH ABC TEAM WHILE IT WAS HERE, ABC TEAM WAS NOT PARTICULARLY FORTHCOMING ON THE SPECIFICS OF ITS DISCUSSION WITH
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EGYPTIAN OFFICIALS. THROUGHOUT VISIT, HOWEVER, USAID OFFICIALS INDICATED THAT WHILE AID INTERESTED IN POSSIBLE PARTICIPATION IN JOINT VENTURE AGRO-INDUSTRIAL INVESTMENTS (SEE PROJECT 263-0056 AGRI-BUSINESS DEVELOPMENT IN AID FY1978 CONGRESSIONAL PRESENTATION), AID WOULD HAVE SERIOUS RESERVATIONS ABOUT FINANCING PROJECTS WHICH DID NOT INVOLVE VENTURE CAPITAL BY AMERICAN PARTICIPANTS IN EVENTUAL INVEST-MENTS. THESE RESERVATIONS ON PART AID OFFICIALS WERE UNDOUBTEDLY NOT MADE KNOWN TO SADAT BY ABC TEAM DURING THEIR VISIT. FURTHER, MUELLER HAD PROMISED DURING FINAL TELEPHONE CONVERSATION WITH USAID DIRECTOR TO PROVIDE HIM WITH COPIES OF DOCUMENTATION TO BE USED IN DISCUSSIONS WITH SADAT BUT HAS NOT DONE THIS SO FAR. FINALLY, WHILE OSMANS HAVE BEEN HELPFUL IN MAKING MANY OF THE CONTACTS FOR ABC TEAM, IT HAS BEEN MINISTER OF STATE HUSSEIN WHO HAS BEEN THEIR FORMAL POINT OF CONTACT, BUT HUSSEIN INFORMS US AS OF MORNING OCTOBER 4 THAT HE INTENDS TO RESIGN BECAUSE HE WAS BYPASSED IN ARRANGEMENTS FOR SADAT/ABC MEETING. EMBASSY WAS NOT INVOLVED IN MAKING THESE ARRANGMENTS OTHER THAN PASSING MESSAGES BETWEEN MUELLER AND HEINZ.
MATTHEWS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRIBUSINESS, POULTRY, FISHERIES, VISITS, PROGRAMS (PROJECTS), VEGETABLES
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Original Handling Restrictions: n/a
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1033446
Secure: OPEN
Status: NATIVE
Subject: STATUS REPORT ON ACTIVITIES IN EGYPT OF AGRIBUSINESS COUNCIL (ABC)
TAGS: EAGR, EAID, EINV, EG, ABC-AGRIBUSINESS COUNCIL
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/90eb6e37-c288-dd11-92da-001cc4696bcc
Review Markings:
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